NOTES

WASHINGTON NOTES

THE ANGLO-FRENCH LOAN

On September 10, there arrived in New York a special commission delegated by the British and French governments jointly, charged with the duty of making some adjustment of international exchange relationships between the United States and the allied countries. The situation which has produced this visit is practically unprecedented, almost the only parallel to it being found in the experience of last autumn, when, at the request of the United States, two special representatives were sent by the British treasury to consider with American authorities ways and means whereby American debtors could settle the amount of their obligations in London. The situation is now, however, reversed, since the difficulty currently experienced is that of settling foreign indebtedness in the United States. Moreover, the condition of last autumn differs from the present case in that whereas a year ago American indebtedness was "floating," and was manifestly capable of settlement within a relatively short time, it is now clearly recognized that the indebtedness of foreign countries to the United States cannot be paid off for a considerable time to come; and whatever arrangements are to be made must be perfected with that fact in mind. The present situation can be best understood by a brief retrospect of the financial history of the war to date. From our standpoint, this history may be divided into three phases:

1. From the outbreak of the war until about February, 1915, during which time the purchases of foreign nations in this country were being paid for by the cancellation of the floating indebtedness on current accounts which had existed at the beginning of the struggle, and which had then caused such serious apprehension in the minds of American merchants.

2. From February, 1915, to about the middle of June or the beginning of July following, during which time a very large volume of American securities, bonds, stocks, and notes were sent back to the United States and disposed of, thereby making exchange for the settlement of our surplus of exports over imports. It is impossible to say with any accuracy exactly how great a volume of securities was thus returned to us.

The indebtedness on current accounts used to liquidate debts during the late autumn and early winter of 1914–15 was estimated, upon the basis of very good evidence, between $400,000,000 and $500,000,000. As the trade balance for the fiscal year ending July 1, 1915, was in the neighborhood of one thousand million dollars, more or less, this would indicate that the amount of securities returned may have been from $500,000,000 to $600,000,000, and this figure is roughly corroborated by estimates made on the basis of other data.

3. The third period of the war, beginning in June, 1915, and now in progress, is characterized by an effort on the part of foreign countries to induce the United States to allow them to pay for their purchases here on a basis of credit. Several small loans have already been floated in the United States with fair success; but the direct obligations of foreign governments have not been generally accepted. Meantime, the surplus of indebtedness to the United States has been increasing rapidly, while imports to the United States have continued relatively very small. The result of these factors has been that the rate of exchange on London and other foreign capitals has reached unprecedentedly low figures, sterling at one time being worth only about $4.50 in New York, as against a normal figure of $4.866. Quotations of exchange on such countries as Italy and Russia have at times been unobtainable. This state of things simply means that foreign countries have of late been sending so little to the United States, as compared with what they have been taking, that their supply of exchange has been wholly inadequate. It has been apparent that this situation could not last long, and that there were only two practicable ways out of it: to provide means for settling indebtedness through an adequate loan obtained in the United States, or to curtail purchases in the United States, and thereby enable exports from Europe to pay for imports from the United States, at least in a larger degree than heretofore. The former method is, of course, the one most acceptable, both to those who want our goods and to American exporters, and hence the visit of the English-French Commission, whose function it is to arrange with American financiers such plans for the adjustment of international indebtedness as will furnish a supply of exchange and thereby enable purchasers abroad for some time to come to obtain in the open market means of liquidating their purchases without being subject to abnormal losses on account of unfavorable quotations of exchange.

In brief, the problem of the United States and the rest of the world is to bring about an adjustment whereby this country shall give credit for such periods as may be necessary to the would-be buyers of its goods

who are unable to pay economically in an ordinary way. Europe, it is true, still has very large supplies of gold, whose shipment the authorities there, however, have restricted; and there are still very large quantities of American securities in the hands of European investors. But payment in gold would seriously weaken, and might ultimately exhaust, the bank reserves of the purchasing countries; and payment in American securities grows more and more difficult as time passes, because of the fact that in order to get more of the holdings of investors it is necessary to offer the holders some definite inducement to part with them. To supply this inducement various measures have been suggested, among them the levy of a special income tax upon dividends and interest drawn from foreign (i.e., American) investments. It remains to be seen whether, as one element in the mode of payment proposed by the English-French Commission, such a use of the taxing power will be attempted in order to force the securities in question out of strong boxes and into the hands of the borrowing governments. Even if a temporary adjustment on the basis of gold and American securities should be effected, it is tolerably plain that the long continuance of the war will finally bring American investors and exporters to the point where they must decide whether or not they are willing to finance the shipments of this country abroad, or, as an alternative, consent to the loss of business.

DEVELOPMENT OF INTERNATIONAL FINANCE

The international financial situation presents to our investors and bankers the possibility of assuming a place in the financial markets of the world such as has never before been occupied by American interests. As the war has progressed, it has become plain, not only that the special war orders placed in the United States were asking for the attention of our financiers, but that, in addition, a great deal of trade with neutral countries, formerly financed in Europe, was now tending to drift in this direction. The question has been whether American bankers would be able to provide capital for the various enterprises thus offered to them, and if so, whether they would feel able and have the initiative necessary to embark upon the new branches of business. It has been plain for some time past that if the United States could relieve Great Britain in part of the burden of accepting foreign bills of exchange it would to that extent relieve English resources and render them available for such domestic uses as the conditions of the country might require. Such a policy has been recognized as one that would make the increased commitments of the United States rest almost entirely upon ordinary com-

mercial business. It would, at the same time, tend to give the United States a better chance than it could otherwise have obtained to hold this business after the war is over; and would also tend to furnish a better opportunity than could have been secured, apart from the war, in financing international commerce. The question now raised is how far the bankers and financiers of the country will be able to take advantage of this opening, and how far they will succeed in actually placing this business of financing international operations upon a permanent footing.

Recognizing the value of the prospect, and believing that an unusual opportunity has been afforded to Americans in this connection, the Federal Reserve Board has taken occasion to widen its provisions for the making of bankers' acceptances by issuing as a new circular (*Circular 18*) a revised draft of the regulations with reference to bankers' acceptances issued some six months ago. In the revised regulation, provision is made whereby bankers' acceptances may practically be renewed, thereby giving them a much longer life, and under which they need not be so exclusively documentary as was required under the preceding plan. This necessarily opens to American bankers a very much larger field of international banking enterprise than has been available under any preceding system. It will also enable federal reserve banks to use their resources much more freely in facilitating trade movements to other countries. Describing the action thus taken, the Federal Reserve Board in an announcement to the public on September 10 said:

The main feature of the new "Acceptance Regulation" prepared by the Board is seen in the fact that under subsection (*c*) of Section IV of the Regulation, the power of renewal under specified conditions is granted. This broadening of the conditions upon which acceptances are based is intended to comply with existing mercantile customs, and to permit the development of the business more freely than at present, particularly through the use of drafts drawn in American currency. These matters have been under consideration by the Board for nearly or quite two months, and the complete draft has been effected in pursuance of the Board's general policy, announced when the subject was first taken in hand, of broadening the conditions attendant upon the use of the acceptance, when circumstances permit, as justified by experience.

It has been the aim of the Board to do everything in its power to create for the American acceptance, that is, dollar exchange, a dominating position in the world-market. Present conditions offer in this respect a great opportunity. In widening somewhat the facilities of federal reserve banks in dealing with American bankers' acceptances, the Board is attempting to give the member banks a larger opportunity for developing their sphere of usefulness in this respect.

The United States should do now what Europe has done for many generations for the United States; that is to say, the bank facilities of the United States should be used for the carrying of import and export transactions for foreign countries just as much as Europe up to now carried by its acceptances the import and export transactions of the United States.

Experience during the present autumn, in view of the enormous and unprecedented export trade in which the United States is now engaged, will undoubtedly furnish a better test than could have been had under any other circumstances for some years to come of the ability of the acceptance system to gain a definite footing and to provide resources adequate to care for the foreign shipments of the nation.

MOVEMENT OF AMERICAN EXPORTS

The American exports which are most seriously endangered by reason of the exchange situation and the general disturbance of foreign trade are, of course, the so-called "staple" goods, upon which we usually rely as a basis for the creation of foreign bills. Conspicuous among these is cotton, whose exportation has now been subjected to unusual difficulties as a result of the policy of the Allies.

The consequence of this danger has been the adoption of special means for financing cotton, paralleling in a certain sense those of a year ago, when, as will be remembered, a special cotton fund was planned to meet the requirements of planters. At that time, shipment of cotton abroad was practically impossible for several weeks because of the interruption to traffic which had been brought about by the operations of the German fleet. As a result, the unusually large crop, amounting to between seventeen million and eighteen million bales, could not be sold in anything like its usual amount, but had to be carried by the planters or merchants, the result being that in some cases cotton did not realize to its producers more than five cents per pound. Under the general direction of the Federal Reserve Board, a so-called Cotton Loan Fund of $135,000,000 was established; but before it had been made fully operative the movement of cotton abroad had again begun in consequence of the opening of the Atlantic to neutral trade. Cotton was permitted by the Allies to be exported to belligerent countries either directly or indirectly, and in this way the congestion in the United States was gradually relieved. Although this season there is a very great reduction in acreage, probably cutting the forthcoming crop by about one-third of last year's output, and making it, according to the best estimates, less than twelve million bales, the increasingly hostile action of the Allies with respect

to cotton, which terminated in the latter part of August in a declaration definitely placing it on the contraband list, has now made exportation to the Teutonic countries out of the question. At the same time, the unfavorable condition of affairs in the international exchange market has hampered the movement of cotton even to countries whose purchases are not interfered with as a result of the war. Thus, for example, exchange on Italy is now so unfavorable as to inflict a severe loss on the cotton-producer, inasmuch as the price of his commodity in Italy is quoted in Italian money, and remittances to him must be converted into American money at an unfavorable rate of exchange, which transfers the loss to him. The situation is such as to throw upon the banks of the United States the necessity of financing the cotton crop this year practically unaided, and without the customary assistance derived from foreign banks through the sale to them of cotton bills. At the same time, the fact that cotton is now officially contraband will necessitate the carrying of a considerable part of the crop for some months longer than usual, because more time than is ordinarily required will be necessary to dispose of this year's output of, say, twelve million bales, and the surplus of, say, three or four million bales remaining over from last year. In order to assist in dealing with the situation, the Federal Reserve Board has issued a circular and regulation (*Circular 17*) making provision for special low rates on commodity paper—that is to say, paper secured by warehouse receipts, evidencing the storage of a non-perishable commodity. The Secretary of the Treasury has made the first deposit thus far provided for in federal reserve banks, placing $5,000,000 gold with each of the reserve banks of Richmond, Atlanta, and Dallas, Texas. In an effort to convey the benefits arising from the use of this money to actual producers, the regulations relating to the subject are issued by the Board (Regulation P) prescribing that paper offered for rediscount shall not be eligible in that connection if it bears a rate higher than 6 per cent; while the rate of rediscount on such paper has been generally established by the reserve banks thereby affected at 3 per cent. The difference of 3 per cent constitutes the return to the member bank for its labor in passing upon and presenting loans to the federal reserve institutions, and for the risk incurred in guaranteeing the paper at the time of discount.

While it is certain that practically all of the financing of cotton that is done this year will have to be done in the United States, it is equally clear that with export conditions as they stand various other commodities will probably have to be dealt with in the same way. Only experience will show how far the country can go in thus financing itself.

THE COMMODITY CLAUSE DECISION

The Supreme Court of the United States has handed down a decision in the so-called Commodity Clause case affecting the Delaware, Lackawanna & Western Railroad Co. and its affiliated coal concerns. This apparently brings one main phase of the litigation in question to a conclusion. (No. 517, October term, 1914; *U.S. Appellant* v. *D.L. & W. Ry. Co., and D.L. & W. Coal Co.*) The case is of special interest because of the conflicting decisions that have heretofore been rendered with reference to the working of the so-called Commodity Clause of the Interstate Commerce act, under which it was made unlawful for a railroad company to carry on any business not connected with transportation. The act of 1906 made it unlawful for carriers to haul their own coal beyond the limits of the state in which they were located; and, desiring to continue the business of mining and transporting coal, the Delaware, Lackawanna & Western Railroad Co. adopted a plan under which it was to make sale and divest itself of title to the coal, at the mouth of the mines, before transportation began. Accordingly it caused to be incorporated, under the laws of New Jersey, the Delaware, Lackawanna & Western Coal Co., with a capital stock of $6,800,000, divided into shares of $50 each. The railroad company then invited its own stockholders to subscribe to the capital stock of the coal company at the rate of one share of the latter for each four shares of the former. Ninety-nine per cent of these stockholders did, as was expected, subscribe for the stock of the coal company—their subscriptions being paid for in full out of a cash dividend of $13,600,000 previously declared by the railroad company. The new corporation was then organized by electing the vice-president of the railroad company as president of the coal company. Other officers and directors of the coal company were also officers and directors of the railroad company. As soon as the organization was completed the railroad company prepared and submitted to the coal company a contract by which the railroad company, reserving what it needed for its railway locomotives, "agreed to sell and the coal company agreed to buy, f.o.b., the mines, all coal which, during the term of the contract, the railroad company should produce from its own mines or purchase from anyone else." The price for prepared sizes—the more important commercial coal—was fixed at 65 per cent of the price in New York on the day of delivery at the mines. The railroad company also leased to the coal company all its trestles, docks, and shipping facilities. The contract—thus prepared by the railroad company—was then signed by both corporations and, on August 2, 1909, the coal company took possession of

the leased property; those who had been agents of the railroad in its sales department became agents of the coal company in its sales department, and the two corporations, with managing officers in common, also had offices in common in the city of New York.

Thereafter the railroad company continued its mining business, annually producing about 7,000,000 tons and purchasing about 1,500,000 tons from operators whose mines were located on its railway. After retaining what was needed for use on its railway engines, it sold the balance, aggregating about 7,000,000 tons, to the coal company at the contract prices, f.o.b. the mines. The coal thus sold by the railroad company was then transported by the railroad company to destination, where it was delivered to the coal company, which paid the regular tariff freight rate and the contract prices on the 20th of each month. This course of dealing continued until February, 1913, when the government filed a petition against both corporations, alleging that the two were practically one, and attacking the validity of the contract.

This particular case was appealed from the District Court of the United States for the District of New Jersey, where the decision had gone against the contention of the United States that such an arrangement as has thus been set forth was out of harmony with the provisions of the law. The decision of the District Court was based upon the view that the essential object of the Commodity Clause was to prevent railroads from occupying the dual and inconsistent position of public carriers and private shippers, and that it must be broadly interpreted in its application to the operations of the company with a view to finding out whether given practices are or are not inconsistent with the attainment of such an object. The same fundamentals are recognized in the opinion of the court of last resort. Without going into technical analysis of the legal aspects of the contract between the railroad and the coal company, it is worth while to note in general terms the inevitable position in which it places the two parties to it. As even a cursory examination of its terms shows, it (1) provides for the sale of coal before transportation begins, while (2) its chief obligations are coupled with onerous and unusual provisions which make it difficult to determine the exact character of the agreement. Nevertheless there is but one choice of alternatives under its terms. If the coal company amounted to a sales agency, the transportation was illegal because the railroad company could not haul coal which it was to sell in its own name or through an agent. If the contract was in restraint of trade, it was void because in violation of the Sherman Anti-trust law. The validity of the contract according

to the court cannot be determined by consideration of the single fact that it did provide for a sale. It must be considered as a whole and in the light of the fact that the sale at the mine was but one link in the business of a railroad engaged in buying, mining, selling, and transporting coal.

The court further finds that the provision in the contract whereby the railroad was able to dictate to whom the coal should be sold, even at unprofitable prices, was also objectionable from the standpoint of the law, while various other elements contained in it practically made it an instrument of monopoly. The contract, therefore, violated, not only the Commodity Clause of the Interstate Commerce act, but also the Sherman Anti-trust law in the consequent conclusion. Particularly in its application to the railroad business, the decision makes clear that such a company, if it continues in the business of mining, must absolutely dissociate itself from the coal before the transportation begins. It cannot retain the title nor can it sell through an agent. It cannot call that agent a buyer while so hampering and restricting such alleged buyer as to make him a puppet subject to the control of the railroad company. If the railroad sells coal at the mouth of the mines to one buyer or to many, it must not only part with all interest direct or indirect in the property, but also with all control over it or over those to whom the coal is sold at the mines. It must leave the buyer as free as any other buyer who pays for what he has bought. It should not sell to a corporation with officers and offices in common—for the policy of the statute requires that, instead of being managed by the same officers, they should studiously and in good faith avoid anything, either in contract or in conduct, that remotely savors of joint action, joint interest, or the dominance of one company by the other. If the seller wishes—by a lawful and bona fide contract, whose provisions as to delivery and otherwise are not in restraint of trade—to sell all of its coal to one buying company, then that one buyer can be bound by reasonable terms and required to pay according to the contract.

THE ANTHRACITE COAL DECISION

The Interstate Commerce Commission has handed down its decision with regard to the transportation of anthracite coal. The opinion (No. 4914) practically closes proceedings which have been in progress for two years past.

The conclusion is adverse to the coal roads, and results in reducing the rates on transportation from the anthracite mines to tide-water by amounts varying from fifteen cents per ton to about fifty cents per ton.

Not only are the present rates held unreasonable, but the Commission goes on to urge that by means of trackage arrangements and free transportation to junction points the coal-mining companies which are connected with the coal roads have been granted what amounts to special privileges, and thereby have been enabled to secure the equivalent of rebates. Concessions and offsets granted to the companies in the form of increased charges, royalties, unduly low rentals, and the like are denounced as being fully as injurious as direct cash rebates. The opinion in the case gathers together a very considerable amount of information concerning the mining situation, and the conditions of transportation on the anthracite roads, that has not previously been available.

The Commission feels that while it is true that anthracite coal is subject to certain difficulties of transportation, as, for example, those which grow out of the fact that there is a large return movement of empty cars, it is also true that the immense regular tonnage passing over the anthracite lines greatly reduces the unit cost of transportation, while in other respects the business enjoys advantages that are not found in other branches of railroad work. The cost of transporting anthracite coal, from the operating standpoint, is found to average 3.3 mills per ton of 2,000 pounds per mile, taking the average haul from mine to tide-water as a standard. As the average revenue per ton-mile varies from about 5.43 to about 9.45 mills, it is argued that there is an abundant margin of profit in the transportation of the coal.

A comparison made by the Commission's experts, and designed to show the actual operating revenue of the roads as well as the return in percentages on stock outstanding, does not show such favorable results, but the Commission points out that there has been a very large inflation of capitalization, and that the mere book values of the companies are not to be taken as representing the real worth of the lines. Under those conditions it is argued that the coal roads are amply able to bear the reductions which have been determined upon. This conclusion is borne out by a detailed consideration of the business, traffic, and receipts of each of the principal coal roads. As a result the Commission reaches the conclusion that

After a careful review of the record we are impressed with the inherent unlawfulness of the rates and practices established by these carriers, which clearly are the outgrowth of past conditions wherein the carriers were producers, shippers, transporters, and vendors of the commodity. If the rates they established for transportation were excessive, it resulted in no hardship to their

mining and selling operations because the excessive profits from the transportation services offset the absence of profits in their mining and selling operations, and high rates eliminated the competing shipper from the markets.

If the record in this case were barren of evidence as to income, revenues, and low operating costs resulting from the transportation of this commodity, the mandatory language of the act to regulate commerce would require removal of the unlawful discriminations, preferences, and advantages which have for many years been extended by these carriers to their allied and controlled coal companies and which operate to the prejudice of the individual shippers of this commodity. The conduct of these carriers, extending over a long period of years, in granting to their allied coal companies concessions from, and offsets against, their established tariff rates, presents very strong evidence that the rates on anthracite coal, which these carriers established, are excessive. Their coal companies ship 80 per cent of the total production, and if a substantial reduction is made in the tariff rates its full effect will fall upon but 20 per cent of the tonnage shipped. If the great purpose of the act to regulate commerce is to be carried out, we must require that such tariff rates on this commodity shall be established as can be maintained on the shipments of all shippers.

A dissenting opinion filed by Commissioner Harlan is to the effect that, as the Commission recently authorized a general increase of 5 per cent in most rates on the eastern roads generally, it would be inconsistent if not discriminatory to take the level of rates of three years ago as a basis for computing reductions to be allowed in connection with coal. Mr. Harlan holds that the records amply justify a modification of many of the present rates, but he indicates that he does not think that the method employed by the Commission in arriving at a proper rate of reduction in this case is a satisfactory one.

The decision has been criticized on the ground of alleged inconsistency. It strongly emphasizes the fact that the condition of affairs existing in the coal regions is violative of the commodity clause of the Interstate Commerce act—a clause which forbids common ownership of producing concerns and railways. The Commission, however, apparently expects the existing system, whereby the commodity clause is violated, to continue, inasmuch as it points out that the changes in rates which have been made by the new decision will fall only upon a small percentage of the coal—that, namely, which is produced by the so-called "independents." This seems to assume that the common ownership system is to be maintained. The opinion, whatever its defects, is, at all events, the best source of information now available concerning actual operating conditions of the coal roads and their relations with the mining companies.

THE WESTERN RATE CASE

A decision parallel to that rendered in the well-known 5 per cent rate case, some months ago, has now been handed down by the Interstate Commerce Commission in the so-called "Western Rate Advance Case" (Investigation and Suspension Docket 555). In this opinion a considerable number of advances in rates proposed by the western railways are conceded, while several others are disallowed. The opinion, like many of the recent decisions of the Commission, is practically a discussion of investment conditions and operating problems of the railways in question. In a general way it is held that the carload rates on grain and grain products, on live stock, on packing-house products, on fertilizer, and on cotton piece goods are not justified; while on the other hand the rate advances proposed by the roads on bituminous coal, rice, fruits and vegetables, hay and straw, and other minor commodities are approved. The interesting feature of the discussion, however, as already indicated, is not found in the bearing of the decision on the commodities themselves, particularly as in many cases the advances are comparatively small. It is found in the Commission's discussion of railway conditions from the financial standpoint.

The decision shows that the aggregate additional revenue which would be earned by the carriers as a result of the proposed increases would be about $10,000,000; and the question arises how far this advance is necessary. The Commission first takes up the return on the investment, reaching the following conclusion:

> The rates at present under consideration may be gauged in a measure by comparing recent additions to the carriers' road and equipment with concomitant changes in their net operating income. The only continuing inducement to invest additional capital in any line of industry is the prospect of net returns. If experience discloses that the return expected is small, the incentive to further investment will correspondingly decrease. If experience demonstrates that increased investment fails, over a term of years, to yield an increased return, the inference is either that the investment was ill judged and not calculated to serve the public, or that the price of the service has not been sufficient to allow an adequate return.

According to figures presented in the report, covering the years 1907 to 1913–14, increase of income, reckoned as a percentage return upon increase of investment, amounts to 1.2 per cent for the 41 roads in the carriers' exhibit, and to 0.7 per cent for the 26 roads in the Commission's compilation.

Scrutiny of these investment criteria leads the Commission to a consideration of the cost of the lines, the actual money returned thereon,

unearned increment in the value thereof, stock market conditions affecting the roads, and their dividend rates. These tests are applied in the case of each of the principal lines, and lead to the conclusion already substantially indicated. In this connection, one specially interesting point is raised—namely, whether the roads to participate in a given increase should be considered together or whether they should be separately and individually considered. As the Commission puts it, "Is the entire territory involved essentially one-rate territory, so that restriction or increase to a particular section or sections is impracticable?" This in another form is tantamount to an inquiry whether a rate advance must be made in the interest of the more prosperous carriers of a group, just as in that of the less prosperous. The Commission reaches the conclusion that a proposed rate increase may be studied and analyzed in its application to individual roads and individual commodities, and that in that way a greater degree of equity would be arrived at than by considering the whole proposed increases as a unit. Of this procedure the opinion says:

> It is, of course, one of many circumstances to consider whether the line of increases proposed impinges on the margin of traffic already fairly assessed in the matter of freight charges; and it is equally within the competence of the Commission to reject glaring inconsistencies in a proposed scheme of rate increases which without good reason avoids obtaining additional needed revenue where such additional revenue could be secured with the minimum of hardship to the rate payers. But qualified in the sense defined, the carriers' reasonable latitude of selecting schedules for increases is not to be narrowly confined by a rigorous demand for credentials that the specific profits on the traffic chosen must be at the very minimum end of the earning scale.

From this conclusion, the Commission is led to an analysis of the effect of specified increases in rates upon railroad incomes, and this analysis develops into a study of costs for each road and kind of traffic. Such cost study shows the operating results per ton mile, so far as cost data are actually available. The Commission admits that cost analyses of this kind are not altogether satisfactory, partly owing to the lack of details; but they are, nevertheless, regarded as sufficiently reliable to form a very substantial element in the consideration of the proposed advances in rates. Working on this plan, the Commission comes to the opinion already sketched with reference to the various advances that have been applied for.

On the whole it must be concluded that the method of investigation employed in this case is more satisfactory than any that has been adopted in recent opinions, and that the plan of inquiry developed indicates a

greater use of scientifically ascertained data with reference to railroad conditions than has been characteristic in most of the opinions of recent years, on rate questions.

The verdict, however, is not unanimous, two commissioners rendering dissenting opinions, both of which contain noteworthy statements of opinion. Commissioner Daniels voices the following general judgment regarding the present situation in the Commission:

While it is nowhere explicitly stated in the majority report, I am unable to escape the conviction that the reluctance to find that increased rates have been more generally justified is largely rooted in an unwillingness to find that the revenues of the carriers as a whole are smaller than is demanded in the public interest, and also in the belief that the financial exigencies of many of the carriers are traceable to financial maladministration, and that if due economy and integrity had been uniformly observed the difficulty over the attested decline in revenues would have been readily surmounted. . . . .

. . . . in considering propositions involving more or less general increases of rates, the question should be judged in the light of the evidence of the adequacy or inadequacy of the carriers' revenues as a whole, and in the light of the reasonableness or unreasonableness of the particular rates proposed, and neither prejudged nor complicated by considerations of individual instances of corporate mismanagement.

Commissioner Harlan, on the other hand, significantly says:

Several thoughts are suggested by the immense record before us in this proceeding: (*a*) Too much time and labor are expended in these recurring rate contests, and some way should be found under legislative authority for arriving at results more promptly than is now possible under our present powers and practices. (*b*) The Commission should have authority, as we have often pointed out, to fix the minimum as well as the maximum rate. The sincere efforts of the carriers toward a fair and nondiscriminatory rate adjustment often fail because of the necessity of submitting to the rates and practices initiated by weaker and more circuitous lines in their pursuit of traffic. (*c*) The time is rapidly approaching when the public interest will demand a more effective control by the Commission over rates initiated or compelled by state authorities. With respect to a great volume of traffic interstate commerce is now bearing a burden under rates admittedly reasonable that should be spread over state commerce as well. (*d*) A uniform classification upon a normal basis, applicable throughout the entire country, and with it a normal rate structure . . . . having sufficient elasticity to allow for varying operating costs, density of traffic, circuitous routes; competitive and other conditions under which transportation is conducted in different parts of the country, may be possible of attainment, and I am satisfied that some effort looking to that end should be made.